

**REPORT OF THE AUDIT OF THE  
FULTON COUNTY  
SHERIFF'S SETTLEMENT - 2011 TAXES**

**For The Period  
April 16, 2011 Through April 17, 2012**



**ADAM H. EDELEN  
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**EXECUTIVE SUMMARY**  
**AUDIT EXAMINATION OF THE**  
**FULTON COUNTY**  
**SHERIFF'S SETTLEMENT - 2011 TAXES**

**For The Period**  
**April 16, 2011 Through April 17, 2012**

The Auditor of Public Accounts has completed the audit of the Sheriff's Settlement - 2011 Taxes for the Fulton County Sheriff for the period April 16, 2011 through April 17, 2012. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

**Financial Condition:**

The Sheriff collected taxes of \$2,710,393 for the districts for 2011 taxes, retaining commissions of \$104,558 to operate the Sheriff's office. The Sheriff distributed taxes of \$2,597,939 to the districts for 2011 taxes. Taxes of \$542 are due to the districts from the Sheriff and refunds of \$3,750 are due to the Sheriff from the taxing districts.

**Report Comment:**

2011-01 The Fulton County Sheriff's Office Lacks An Adequate Segregation Of Duties

**Deposits:**

The Sheriff's deposits were insured and collateralized by bank securities.



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**ADAM H. EDELEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

To the People of Kentucky

Honorable Steven L. Beshear, Governor

Lori H. Flanery, Secretary

Finance and Administration Cabinet

Honorable David Gallagher, Fulton County Judge/Executive

Honorable Robert Hopper, Fulton County Sheriff

Members of the Fulton County Fiscal Court

Independent Auditor's Report

We have audited the Fulton County Sheriff's Settlement - 2011 Taxes for the period April 16, 2011 through April 17, 2012. This tax settlement is the responsibility of the Fulton County Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Sheriff's Tax Settlements issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff's office prepares the financial statement in accordance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the Fulton County Sheriff's taxes charged, credited, and paid for the period April 16, 2011 through April 17, 2012, in conformity with the modified cash basis of accounting.

In accordance with Government Auditing Standards, we have also issued our report dated December 20, 2012 on our consideration of the Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.



To the People of Kentucky

Honorable Steven L. Beshear, Governor

Lori H. Flanery, Secretary

Finance and Administration Cabinet

Honorable David Gallagher, Fulton County Judge/Executive

Honorable Robert Hopper, Fulton County Sheriff

Members of the Fulton County Fiscal Court

Based on the results of our audit, we present the accompanying comment and recommendation, included herein, which discusses the following report comment:

2011-01 The Fulton County Sheriff's Office Lacks An Adequate Segregation Of Duties

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Adam H. Edelen', with a stylized flourish at the end.

Adam H. Edelen  
Auditor of Public Accounts

December 20, 2012



FULTON COUNTY  
ROBERT HOPPER, SHERIFF  
SHERIFF'S SETTLEMENT - 2011 TAXES

For The Period April 16, 2011 Through April 17, 2012

<u>Charges</u>	<u>County Taxes</u>	<u>Special Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Real Estate	\$ 257,645	\$ 433,765	\$ 1,120,663	\$ 238,127
Tangible Personal Property	55,019	86,447	218,011	167,958
Fire Protection	448			
Increases Through Exonerations	521	828	3,752	481
Franchise Taxes				
Current Year	30,975	47,361	132,794	
Prior Year	18,115	27,951	84,121	
Additional Billings	281	420	1,109	143
Bank Franchises	19,041			
Penalties	3,462	6,245	15,811	1,921
Adjusted to Sheriff's Receipt	(60)	(92)	(3)	(53)
Gross Chargeable to Sheriff	385,447	602,925	1,576,258	408,577
<u>Credits</u>				
Exonerations	1,712	2,696	9,122	1,465
Discounts	4,777	7,250	19,297	6,029
Delinquents:				
Real Estate	10,226	16,343	50,187	9,451
Tangible Personal Property	151	222	774	310
Franchise Taxes				
Current Year - Uncollected	17,126	26,522	79,154	
Total Credits	33,992	53,033	158,534	17,255
Taxes Collected	351,455	549,892	1,417,724	391,322
Less: Commissions *	14,937	23,370	49,620	16,631
Taxes Due	336,518	526,522	1,368,104	374,691
Taxes Paid	335,963	525,706	1,365,247	371,023
Refunds (Current and Prior Year)	1,065	1,567	4,804	3,668
Due District or		**	***	
(Refunds Due Sheriff)				
as of Completion of Audit	\$ (510)	\$ (751)	\$ (1,947)	\$ 0

\*, \*\*, and \*\*\* See next page.

The accompanying notes are an integral part of this financial statement.

FULTON COUNTY  
 ROBERT HOPPER, SHERIFF  
 SHERIFF'S SETTLEMENT - 2011 TAXES  
 For The Period April 16, 2011 Through April 17, 2012  
 (Continued)

\* Commissions:

4.25% on \$ 1,292,669  
 3.5% on \$ 1,417,724

\*\* Special Taxing Districts:

Library District	\$ (313)
Health District	(155)
Extension District	(213)
Mental Health District	<u>(70)</u>

(Refunds Due Sheriff)	<u>\$ (751)</u>
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\*\*\* School Taxing Districts

County School	\$ 542
Fulton Independent School	<u>(2,489)</u>

Due District or

(Refund Due Sheriff)	<u>\$ (1,947)</u>
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FULTON COUNTY  
NOTES TO FINANCIAL STATEMENT

April 17, 2012

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

The Sheriff's office tax collection duties are limited to acting as an agent for assessed property owners and taxing districts. A fund is used to account for the collection and distribution of taxes. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting. Basis of accounting refers to when charges, credits, and taxes paid are reported in the settlement statement. It relates to the timing of measurements regardless of the measurement focus.

Charges are sources of revenue which are recognized in the tax period in which they become available and measurable. Credits are reductions of revenue which are recognized when there is proper authorization. Taxes paid are uses of revenue which are recognized when distributions are made to the taxing districts and others.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Deposits

The Fulton County Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

FULTON COUNTY  
NOTES TO FINANCIAL STATEMENT  
April 17, 2012  
(Continued)

Note 2. Deposits (Continued)

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the Sheriff's deposits may not be returned. The Fulton County Sheriff does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of April 17, 2012, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 3. Tax Collection Period

The real and personal property tax assessments were levied as of January 1, 2011. Property taxes were billed to finance governmental services for the fiscal year ended June 30, 2012. Liens are effective when the tax bills become delinquent. The collection period for these assessments was September 15, 2011 through April 17, 2012.

Note 4. Interest Income

The Fulton County Sheriff earned \$427 as interest income on 2011 taxes. The Sheriff distributed the appropriate amount to the school district as required by statute, and the remainder was used to operate the Sheriff's office.

Note 5. Sheriff's 10% Add-On Fee

The Fulton County Sheriff collected \$23,277 of 10% add-on fees allowed by KRS 134.119(7). This amount was used to operate the Sheriff's office.

Note 6. Unrefundable Duplicate Payments And Unexplained Receipts

The Sheriff has \$250 in unrefundable duplicate payments and unexplained receipts that should be deposited in a non-interest-bearing account. KRS 393.090 states that after three years, if the funds have not been claimed, they are presumed abandoned and abandoned funds are required to be sent to the Kentucky State Treasurer by KRS 393.110.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL  
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS





**ADAM H. EDELEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

The Honorable David Gallagher, Fulton County Judge/Executive  
Honorable Robert Hopper, Fulton County Sheriff  
Members of the Fulton County Fiscal Court

**Report On Internal Control Over Financial Reporting And On  
Compliance And Other Matters Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards**

We have audited the Fulton County Sheriff's Settlement - 2011 Taxes for the period April 16, 2011 through April 17, 2012, and have issued our report thereon dated December 20, 2012. The Sheriff prepares his financial statement in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

Management of the Fulton County Sheriff's office is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Sheriff's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Sheriff's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Sheriff's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying comment and recommendation, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying comment and recommendation as 2011-01 to be a material weakness.



Report On Internal Control Over Financial Reporting And On  
Compliance And Other Matters Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards  
(Continued)

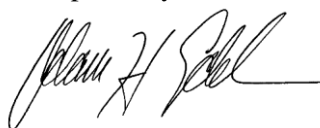
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Fulton County Sheriff's Settlement - 2011 Taxes for the period April 16, 2011 through April 17, 2012, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

The Fulton County Sheriff's response to the finding identified in our audit is described in the accompanying comments and recommendations. We did not audit the Sheriff's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Fulton County Fiscal Court, and the Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Adam H. Edelen', with a stylized flourish at the end.

Adam H. Edelen  
Auditor of Public Accounts

December 20, 2012



COMMENT AND RECOMMENDATION



FULTON COUNTY  
ROBERT HOPPER, SHERIFF  
COMMENT AND RECOMMENDATION

For The Period April 16, 2011 Through April 17, 2012

INTERNAL CONTROL - MATERIAL WEAKNESS:

2011-01 The Fulton County Sheriff's Office Lacks An Adequate Segregation Of Duties

The Fulton County Sheriff's office lacks adequate segregation of duties over the accounting and reporting functions of the Sheriff's office. The Sheriff's bookkeeper is responsible for receiving cash, preparing deposits, preparing and signing checks, posting to ledgers, preparing monthly bank reconciliation. A lack of segregation of incompatible duties or strong oversight increases the risk that errors could occur and not be detected. This condition is a result of a limited budget, which restricts the number of employees the Sheriff can hire or delegate duties.

A proper segregation of duties over the accounting and reporting functions such as receiving cash, recording cash, preparing deposits, writing checks, maintaining ledgers, and reconciling bank records to the ledgers or implementing compensating controls, when necessary because of a limited number of staff, is essential for providing protection from error occurring and not being detected. Additionally, a proper segregation of duties protects employees in the normal course of performing their daily responsibilities.

The Fulton County Sheriff should separate the duties involved in receiving cash, preparing deposits, writing checks, posting to ledgers, preparing monthly bank reconciliation, comparing financial reports to ledgers. If, due to a limited budget, this is not feasible, cross-checking procedures such as agreeing daily tax collection reports to receipts ledger and deposit slips, agreeing monthly tax reports to receipts ledger and disbursements ledger, prepare monthly bank reconciliations could be implemented and documented by the individual performing the procedure.

*Sheriff Robert Hopper's Response: "We are doing the best we can with the amount of personnel."*

